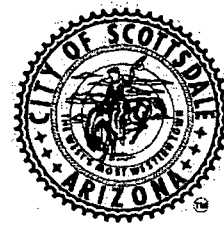


CITY COUNCIL REPORT



Meeting Date:
Charter Provision:
affairs of the City

June 17, 2014

Provide for the orderly government and administration of the

ACTION

Authorize purchase of Property-Casualty Insurance for the Period of July 1, 2014 to July 1, 2015 -
Adopt Resolution 9811 authorizing and directing the purchase of Property - Casualty insurance, including General Liability, Law Enforcement Liability, Vehicle Liability, Public Officials Errors and Omissions, Property, Workers' Compensation and Airport Liability and Hangarkeepers' Legal Liability insurance for Fiscal Year 2014/2015.

BACKGROUND

Scottsdale Revised Code, Section 2-173 calls for the purchase of excess insurance above the self-insured retention as recommended by the Risk Management Director and approved by the City Council. The purpose of purchasing excess insurance is to protect the City against the financial impact of large and catastrophic accident claims, or a series of claims by transferring the risk to commercial insurers in exchange for a fixed cost premium amount. In recent years, within budget constraints, the City has sought to maintain reasonable per occurrence and annual aggregate property and liability limits to protect against rising and often unpredictable accident values and court awards.

ANALYSIS & ASSESSMENT

Recent Staff Action

In conjunction with the City's insurance broker, Risk Management undertakes a review of each coverage area and structure to optimize the cost-benefit mix of self-insurance and excess insurance given the City's need to minimize and best handle the financial impact of accident claims. Internal budget parameters and international insurance market conditions play heavily into the overall equation and final decision of coverage and commercial insurers selected. The insurance program structure includes a self-insured retention per accident, and excess catastrophic insurance purchased through a commercial insurer for a fixed premium charge and is judged by the City's insurance broker and the Risk Management Director to be the most cost-effective insurance cost structure for the City given its size and risk profile.

City Council Report - Purchase Property - Casualty Insurance for the Period of July 1, 2014 to July 1, 2015

This year the City has had a challenge placing package coverage for liability which in the past included General Liability, Law Enforcement Legal Liability, Vehicle Liability, Employment Practices Liability, Public Officials Errors and Omissions. Recent claims and settlements under the Law Enforcement Liability coverage reduced the number of insurers who would quote the package, as well as, drove substantial premium increases. Risk Management, consulted with and gained the approval of the Loss Trust Fund Board to split the liability coverage between two carriers. The liability package will remain with the incumbent insurer, Argonaut. The law enforcement liability will be placed with a specialty company, Indian Harbor Insurance Company.

Policy Implications

None

Significant Issues to be addressed

None

Community Involvement

None

RESOURCE IMPACTS

Available funding

The cost of insurance is fully covered within the Risk Management Department budget. If claim costs and insurance premiums exceed budgeted amounts during the fiscal year, a transfer of funds from the Loss Trust Fund will be initiated and submitted to the City Council for approval.

Staffing, Workload Impact

In a strong effort to control and mitigate the financial impact of property – casualty losses, the City has a proactive safety program geared to address loss exposures. The program recognizes individuals and work groups who perform their job duties in a safe manner and remain accident free. The Risk Management Department and the City Attorney's Office coordinate safety communications to address liability exposures in the respective work areas. Lessons learned from existing claims brought against the City are reviewed with appropriate City staff to prevent and mitigate future similar or related happenings. In addition, the City Attorney's Office handles most Risk accident lawsuits which assist in controlling overall defense fees. These programs are already in place and require no additional staff at this time.

Maintenance Requirements

None

Future Budget Implications

None

Cost Recovery Options

The cost of insurance is fully covered within the Risk Management Department budget. Each fiscal

year, Risk Management and the Budget Department, allocate the entire cost of the Risk Management budget across City Divisions on a monthly basis. The allocations are based 30% upon an average of two years of payroll expense and 70% on a five year average of claims history.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Authorize purchase of General Liability, Vehicle Liability, Public Officials Errors and Omissions, Employment Practices Liability insurance protection of \$50,000,000 limits of liability per occurrence and annual aggregate coverage from Argonaut Insurance Company, Star Indemnity & Liability, Ironshore Specialty Insurance Company, and Great American Insurance Company of New York.

Authorize purchase of Law Enforcement liability protection of \$50,000,000 limits of liability per occurrence and annual aggregate coverage from Indian Harbor Insurance Company, Star Indemnity & Liability, Ironshore Specialty Insurance Company, and Great American Insurance Company of New York.

The combination of these liability programs will address claims in excess of the City's self-insured retention amount of \$2,000,000 per occurrence for a cost of \$1,581,187.89 which is an increase in premium of \$988,659 from expiring premium.

Authorize purchase of Property insurance on approximately \$924 million of buildings, contents, equipment replacement values and vehicles in excess of the \$100,000 deductible from Lexington, Colony & Westchester Insurance Companies at a cost of \$521,189.06 which is a substantial decrease in premium of \$32,229 from expiring premium. The premium reduction is the result of positive loss history and insurer competition. The property reduced from .0496 to .0345 per thousand in values.

Authorize purchase of Workers' Compensation insurance from the incumbent Insurer, Safety National in excess of the City's self-insured retention amount of \$1,000,000 for a cost of \$215,058 which is a slight increase in premium of \$11,984 from expiring terms.

Authorize purchase of Scottsdale Airport Liability and Hangarkeepers' Legal Liability insurance of \$300,000,000 per occurrence and \$300,000,000 annual aggregate limits coverage from Chartis Aerospace at a cost of \$30,000. The 10,037 premium increase is due to increasing the coverage limit from \$100,000,000 in anticipation of increased traffic/ values with the 2015 Pro-Bowl, Super-Bowl and other events.

Description of Option B

Authorize no purchase of excess liability, property, workers' compensation and airport liability insurance and elect to totally self-insure for property-casualty losses. Not carrying any excess liability insurance could place a financial strain on City resources and cash flows if the City had to pay monies on a severe or a catastrophic claim, or series of claims. Assuming all of the financial risk of potentially high valued random accident claims is not deemed prudent.

City Council Report - Purchase Property - Casualty Insurance for the Period of July 1, 2014 to July 1, 2015

Proposed Next Steps

Upon Council approval, coverage will be bound for the period 7/1/14-15.

RESPONSIBLE DEPARTMENT(S)

STAFF CONTACTS (S)

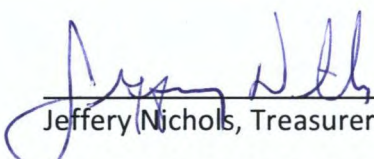
Katherine Callaway, Risk Management Director

APPROVED BY


Katherine Callaway, Risk Management Director

480-312-7841, kcallaway@scottsdaleaz.gov

6-3-14
Date


Jeffery Nichols, Treasurer

480-312-2364, jnichols@scottsdaleaz.gov

6/3/14
Date

ATTACHMENTS

1. Resolution No. 9811 authorizing and directing the purchase of property and casualty insurance for Fiscal Year 2014/2015.

RESOLUTION NO. 9811

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE,
MARICOPA COUNTY, ARIZONA AUTHORIZING AND DIRECTING THE
PURCHASE OF PROPERTY AND CASUALTY INSURANCE FOR
FISCAL YEAR 2014/2015.

WHEREAS, the purchase of general liability, vehicle liability, employment practices liability, law enforcement liability and public officials errors and omissions insurance is of benefit to the public welfare of the City; and

WHEREAS, the public welfare is also served with the purchase of property insurance, workers' compensation, and airport liability and hangar keepers' legal liability insurance;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. City staff is authorized and directed to purchase, on behalf of the City of Scottsdale, the following property and casualty insurance policies for Fiscal Year 2014/2015:

- A. General Liability, Vehicle Liability, Employment Practices Liability, Law Enforcement Liability and Public Officials Errors and Omissions insurance protection of \$50,000,000 limits of liability per occurrence and annual aggregate coverage from various insurers for claims in excess of the City's self-insured retention amount of \$2,000,000 per occurrence at a cost of \$1,581,187.89; and
- B. Property Insurance from Lexington, Colony and Westchester Insurance Companies for approximately \$925,000,000 in replacement value on buildings, contents, and equipment in excess of the deductible portions of \$100,000 at a cost of \$538,293.31 and self-insured retention as previously authorized; and
- C. Workers Compensation Insurance from Safety National in excess of the City's proposed self-insured retention amount of \$1,000,000 at a cost of \$215,058.
- D. City Airport Liability and Hangar keepers' Legal Liability Insurance of \$300,000,000 per occurrence and annual aggregate limits of Airport Liability coverage and \$300,000,000 for Hangar keepers' Legal Liability coverage from AIG Property & Casualty at a cost of \$30,000 and self-insured retention as previously authorized.

Section 2. The City Treasurer, or designee, is authorized to execute such contracts and to take all other actions and sign all other documents necessary and proper to purchase the property and casualty insurance policies authorized by this Resolution for Fiscal Year 2014/2015.

PASSED AND ADOPTED by the City Council of the City of Scottsdale this 17th day of June, 2014.

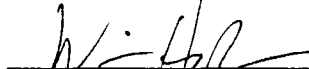
CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

Carolyn Jagger, City Clerk

W.J. "Jim" Lane, Mayor

APPROVED AS TO FORM:



Bruce Washburn, City Attorney
By: William Hylen
Assistant City Attorney